

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
BEECH GROVE WATER SYSTEM, INC.)	2018-00032

ORDER

On January 22, 2018, Beech Grove Water System (“Beech Grove”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Beech Grove reported a water loss of 23.1142 percent.² Beech Grove’s application provides updated purchases and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Beech Grove’s unaccounted-for water loss is determined to be 15.619 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56.

³ 2016 Annual Report, line 21, divided by line 4, (39 divided by 79,328) equals 0.00049 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	83,905,823
Less Total Sales (application PWA Form 1 at 2)	70,758,904
Less plant use (% determined from 2015 AR)	<u>41,251</u>
Water loss - gallons	13,105,668
Water loss - percent	15.619

Reduction of Beech Grove's unaccounted-for water loss to 15 percent would result in an approximate \$1,349.16⁵ decrease to purchased water expense. Potentially, Beech Grove is paying \$0.02 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Beech Grove to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Beech Grove to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Beech Grove purchases water from the city of Henderson ("Henderson") and West Daviess County Water District Municipal Utilities ("West Daviess").

2. Henderson notified Beech Grove that its wholesale rate would increase from \$2.5222 per 1,000 gallons to \$2.6165 per 1,000 gallons effective March 1, 2018.⁷ Beech Grove proposes to increase the water rates to its customers effective April 1, 2018, to reflect the increased cost of purchased water from Henderson.

⁵ Water loss above 15 percent is 0.6190 percent, Potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$1,349.16

⁶ Potential purchased water expense reduction divided by sales (\$1,349.16/(70,758,904/1,000) equals \$0.02/1,000.

⁷ TFS 2017-00714 (Ky. PSC Filed Jan 2, 2018); the tariff was accepted for filing by the Commission by letter dated February 6, 2018.

3. Beech Grove proposed a purchased water adjustment factor of \$0.1100 per 1,000 gallons.

4. During the 12 months ended December 31, 2017, Beech Grove purchased 76,247,823 gallons of water from Henderson and 7,658,000 gallons from West Daviess. During the same period, Beech Grove sold 70,758,904 gallons of water. The increase in the cost of purchased water is \$7,190.17, resulting in a purchased water adjustment factor of \$0.1100 per 1,000 gallons.

5. The purchased water adjustment factor proposed of \$0.1100 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Beech Grove's proposed rates, as set forth in Appendix B to this Order, are fair, just, and reasonable and should be approved for water service rendered by Beech Grove on and after April 1, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.1100 per 1,000 gallons is approved.

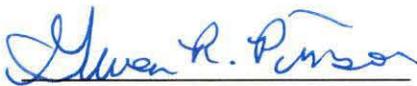
2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Beech Grove on and after April 1, 2018.

3. Within 20 days of the date of entry of this Order, Beech Grove shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:


Executive Director

Case No. 2018-00032

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00032 DATED **MAR 01 2018**

	New Rate	Base Rate
Henderson		
Purchases in Gallons	76,247,823	76,247,823
Volumetric rate	<u>\$2.6165/1,000</u>	<u>\$2.5222/1,000</u>
	\$199,502.43	\$192,312.26
West Daviess		
Purchases in Gallons	7,658,000	7,658,000
Volumetric rate	<u>\$2.4100/1,000</u>	<u>\$2.4100/1,000</u>
	\$18,455.78	\$18,455.78
Total Cost	\$217,958.21	\$210,768.04
Increased water cost		\$7,190.17
Increased water cost		\$ 7,190.17
Divided by gallons sold/1,000		<u>70,758,904</u>
Purchased water adjustment factor		\$ 0.1016
		or \$ 0.1100 per 1,000
Gallons		

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00032 DATED **MAR 01 2018**

The following rates and charges are prescribed for the customers in the area served by Beech Grover Water System, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Rates

First 2,000 Gallons	\$ 16.94	Minimum Bill
Next 98,000 Gallons	5.28	per 1,000 Gallons
Over 100,000 Gallons	4.38	per 1,000 Gallons
Bulk Loading Station	2.21	per 1,000 Gallons

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